



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
KNOX COUNTY
SHERIFF'S SETTLEMENT – 1997 TAXES,
SHERIFF'S SETTLEMENT – 1997 UNMINED COAL TAXES, AND
SHERIFF'S SETTLEMENT – 1989, 1990, AND 1991
OMITTED UNMINED COAL TAXES**

March 15, 1999

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable, Gerald K. West, County Judge/Executive
Honorable, Wilbur Bingham, Knox County Sheriff
Members of the Knox County Fiscal Court

The enclosed report prepared by Donna Bouvier, Certified Public Accountant, presents the Knox County Sheriff's Settlement - 1997 Taxes, 1997 Unmined Coal Taxes, and 1989, 1990, and 1991 Omitted Unmined Coal Taxes.

We engaged Donna Bouvier, CPA, to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Donna Bouvier, CPA, evaluated the Knox County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

KNOX COUNTY
SHERIFF'S TAX SETTLEMENT - 1997 TAXES
SHERIFF'S TAX SETTLEMENT - 1997 UNMINED COAL TAXES
SHERIFF'S TAX SETTLEMENT - 1989, 1990, & 1991 OMITTED UNMINED COAL TAXES

March 15, 1999

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To the People of Kentucky
Honorable Paul E. Patton, Governor
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Independent Auditor's Report

I have audited the Knox County Sheriff's Tax Settlement-1997 Taxes as of March 15, 1999, Sheriff's Tax Settlement-1997 Unmined Coal Taxes, and the Sheriff's Tax Settlement-1989, 1990, and 1991 Omitted Unmined Coal Taxes as of April 30, 1999. These tax settlements are the responsibility of the Knox County Sheriff. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In my opinion, the accompanying financial statements referred to above present fairly in all material respects, the Knox County Sheriff's taxes charged, credited, and paid as of March 15, 1999, and April 30, 1999, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky
Honorable Paul E. Patton, Governor
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Honorable Wilbur Bingham, Knox County Sheriff
Members of the Knox County Fiscal Court
(Continued)

In accordance with Government Auditing Standards, I have also issued a report dated October 29, 1999, on my consideration of the Knox County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Donna Bouvier
Certified Public Accountant

October 29, 1999

KNOX COUNTY
WILBUR BINGHAM, SHERIFF
SHERIFF'S TAX SETTLEMENT - 1997 TAXES

March 15, 1999

	County	Special Taxing Districts	School Taxes	State Taxes
<u>Charges</u>				
Real Estate	\$ 405,319	\$ 489,389	\$ 1,600,377	\$ 630,050
Tangible Personal Property	60,260	65,369	171,933	137,496
Intangible Personal Property	-	-	-	57,660
Fire Protection	1,721	-	-	-
Franchise Corporation	74,056	81,988	251,261	-
Bank Franchise	488	-	-	1,994
Supplemental Taxes	821	995	3,495	1,277
Increased Through Erroneous Assessments	532	669	2,357	884
Penalties	8,272	9,973	32,358	13,240
Adjusted to Sheriff's Receipt	(300)	(18)	-	(68)
Gross Chargeable to Sheriff	\$ 551,169	\$ 648,365	\$ 2,061,781	\$ 842,533
<u>Credits</u>				
Discounts	\$ 5,707	\$ 6,733	\$ 21,110	\$ 10,561
Exonerations	3,680	4,503	16,361	6,110
Delinquents:				
Real Estate	23,127	27,911	96,257	35,851
Tangible Personal Property	605	656	2,019	1,358
Total Credits	\$ 33,119	\$ 39,803	\$ 135,747	\$ 53,880
Net Tax Yield	\$ 518,050	\$ 608,562	\$ 1,926,034	\$ 788,653
Less: Commissions*	22,304	24,963	77,041	25,969

* See Page 4

KNOX COUNTY
WILBUR BINGHAM, SHERIFF
SHERIFF'S TAX SETTLEMENT - 1997 TAXES
March 15, 1999
(Continued)

		Special		
	County	Taxing	School	State
	<u>Taxes</u>	<u>Districts</u>	<u>Taxes</u>	<u>Taxes</u>
Net Taxes Due	\$ 495,746	\$ 583,599	\$ 1,848,993	\$ 762,684
Taxes Paid	495,206	583,043	1,847,783	762,575
Refunds (Current and Prior Year)	248	277	674	337
Due Districts or (Refund Due Sheriff)				
as of Completion of Fieldwork	\$ 292	\$ 279	\$ 536	\$ (228)
		**		

* Commissions:

10% on \$ 10,000
4.25% on \$ 940,653
4% on \$2,092,030
3.25% on \$ 783,653
1% on \$ 14,963

** Special Taxing Districts:

Library District \$ 64
Health District 80
Extension District 48
Soil Conservation District (3)
Ambulance District 125
Artemus Fire District (35)

Due Districts or (Refunds Due Sheriff) \$ 279

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The accompanying notes are an integral part of the financial statements.

KNOX COUNTY
WILBUR BINGHAM, SHERIFF
SHERIFF'S TAX SETTLEMENT - 1997 UNMINED COAL TAXES

April 30, 1999

	County	Special Taxing Districts	School Taxes	State Taxes
<u>Charges</u>				
Sheriff's Official Receipt for				
Unmined Coal	\$ 4,663	\$ 5,447	\$ 21,882	\$ 7,248
Penalties	48	56	225	74
Gross Chargeable to Sheriff	\$ 4,711	\$ 5,503	\$ 22,107	\$ 7,322
<u>Credits</u>				
Discounts	\$ 36	\$ 41	\$ 165	\$ 55
Delinquents	485	567	2,276	754
Total Credits	\$ 521	\$ 608	\$ 2,441	\$ 809
Net Tax Yield	\$ 4,190	\$ 4,895	\$ 19,666	\$ 6,513
Less Commissions*	178	205	787	276
Net Taxes Due	\$ 4,012	\$ 4,690	\$ 18,879	\$ 6,237
Taxes Paid	3,808	4,475	17,939	5,900
Refunds (Current and Prior Year)	204	215	938	336
Due Districts as of Completion of Fieldwork	\$ -	\$ -	\$ 2	\$ 1

* Commissions:

4.25% on \$ 14,354

4% on \$ 20,910

The accompanying notes are an integral part of the financial statements.

KNOX COUNTY
WILBUR BINGHAM, SHERIFF
SHERIFF'S TAX SETTLEMENT - 1989, 1990, & 1991 OMITTED UNMINED COAL TAXES

April 30, 1999

	County	Special	School	State
	<u>Taxes</u>	<u>Taxing</u>	<u>Taxes</u>	<u>Taxes</u>
		<u>Districts</u>		
<u>Charges</u>				
Sheriff's Official Receipt for				
Unmined Coal	\$ 3,648	\$ 3,981	\$ 15,149	\$ 7,358
Penalties	1,266	1,356	4,722	2,599
Gross Chargeable to Sheriff	\$ 4,914	\$ 5,337	\$ 19,871	\$ 9,957
<u>Credits</u>				
Exonerations	\$ 53	\$ 60	\$ 268	\$ 104
Delinquents	757	853	3,746	1,479
Total Credits	\$ 810	\$ 913	\$ 4,014	\$ 1,583
Net Tax Yield	\$ 4,104	\$ 4,424	\$ 15,857	\$ 8,374
Less Commissions*	174	181	634	356
Net Taxes Due	\$ 3,930	\$ 4,243	\$ 15,223	\$ 8,018
Taxes Paid	3,930	4,241	15,223	8,018
Due Districts as of Completion of Fieldwork	\$ -	\$ 2	\$ -	\$ -
		**		

* Commissions:
4.25% on \$ 14,934
4% on \$ 17,825

** Special Taxing Districts:
Extension District \$ 2
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The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

KNOX COUNTY
NOTES TO THE FINANCIAL STATEMENTS

March 15, 1999

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is utilized to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B) Basis of Accounting

The financial statements have been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C) Cash and Investments

At the direction of the fiscal court, Kentucky Revised Statute 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

KNOX COUNTY
NOTES TO THE FINANCIAL STATEMENTS
March 15, 1999
(Continued)

NOTE 2: DEPOSITS

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by a collateral security agreement between the depositor and the depository institution. This collateral security agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff met the requirements stated above, and as of March 11, 1998, deposits were fully insured or collateralized at a 100% level with collateral held by the county official's agent in the county official's name.

NOTE 3: PROPERTY TAXES

The real and personal property tax assessments were levied as of January 1, 1997. Property taxes were billed to finance governmental services for the year ended June 30, 1998. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 15, 1998, through January 31, 1999.

1997 Unmined Coal Taxes

The tangible property tax assessments are levied as of January 1, 1997. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was March 15, 1998, through October 31, 1998.

Prior Years Omitted Unmined Coal Taxes

The tangible property tax assessments are levied as of January 1. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 1, 1997, through June 30, 1998.

KNOX COUNTY
NOTES TO THE FINANCIAL STATEMENTS
March 15, 1999
(Continued)

NOTE 4: INTEREST INCOME

The Knox County Sheriff earned \$9,465 as interest income on 1997 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Gerald K. West, County Judge/Executive
Honorable Wilbur Bingham, Knox County Sheriff
Members of the Knox County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

I have audited the Knox County Sheriff's Tax Settlement-1997 Taxes as of March 15, 1999, Sheriff's Tax Settlement-1997 Unmined Coal Taxes and the Sheriff's Tax Settlement-1989, 1990, and 1991 Omitted Unmined Coal Taxes as of April 30, 1999, and have issued my report thereon dated October 29, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Knox County Sheriff's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Honorable Gerald K. West, County Judge/Executive
Honorable Wilbur Bingham, Knox County Sheriff
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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Donna Bouvier
Certified Public Accountant

October 29, 1999